

**QUARTERLY UPDATE
TO THE LEGISLATURE
MEDI-CAL MANAGED CARE PROGRAM**

January through March 2007

**California Department of Health Services
Medical Care Services
Medi-Cal Managed Care Division**

**MEDI-CAL MANAGED CARE
QUARTERLY UPDATE TO THE LEGISLATURE**

TABLE OF CONTENTS

I.	Purpose of the Update	3
II.	Key Milestones and Objectives.....	3
III.	State Plan Amendments.....	8
IV.	Federal Waivers	8
V.	Key Activities on Medi-Cal Managed Care Expansion.....	8
VI.	Timeline for Managed Care Expansion	11

I. Purpose of the Update

The Budget Act of 2005, authorized expansion of the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma and Ventura.

In addition, the California Department of Health Services' (CDHS), Medi-Cal Managed Care Division (MMCD) proposed to convert Fresno County from a Two-Plan model to a Geographic Managed Care (GMC) model. Beginning January 1, 2006, the CDHS is required to provide quarterly updates to the policy and fiscal committees of the Legislature on the core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of state plan amendments to the federal Centers for Medicare and Medicaid Services;
- Submittal of any federal waiver documents; and
- Applicable key functions related to the Medi-Cal Managed Care expansion effort.

II. Key Milestones and Objectives

Collaboration with California HealthCare Foundation (CHCF)

The CDHS partnered with the CHCF to develop enhanced performance standards for Medi-Cal managed care plans for services for persons with disabilities and chronic illnesses. The CDHS received the CHCF recommendations in a report titled, "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions" on November 21, 2005. The CDHS requested comments and input from its contracting health plans regarding these recommendations.

The CDHS completed an initial analysis of the 53 recommendations to determine the applicability of the recommendations to the target population and assess the feasibility of each recommendation. The draft report, including its recommendations, was released on May 7, 2007. The Department will place the report on the Medi-Cal Managed Care Division website and invite public comment. In the meantime, the MMCD has assigned the CHCF recommendations to division staff to develop individual work plans and time lines.

The Department has assessed the recommendations for opportunities to implement in the immediate future. For example, the CHCF report recommended that plans include committee representation of individuals living with disabilities and chronic health conditions. The CDHS is currently

standardizing contract language within the primary models of managed care, and it will include language to implement this recommendation, expanded to include seniors, in that process. Another example of continuing the work related to the CHCF project is the CDHS participation in the multi-state project to develop a performance measure for seniors and persons with disabilities (see Item 4 on page 5). This project is also consistent with recommendations in the CHCF report to develop and select performance measures for this population. The Department has also increased its Managed Care Advisory Group representation to include programs that serve persons with disabilities and advocates that work on their behalf.

General Program Activities

The CDHS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care program.

1. Staff from Medi-Cal Managed Care Division has participated in meetings with Department of Developmental Services (DDS), Bay Area Regional Centers, Agnews Development Center and Alameda Alliance (AAH), Santa Clara Family Health (SCFH) and Health Plan of San Mateo. These discussions are to address transition planning for the approximately 240 remaining clients at Agnews who will need a specialized health care delivery system when they are placed in community settings over the next year. Agnews is scheduled to close at the end of June 2008. Medi-Cal managed care is a preferred option for these clients because of their extremely complex medically fragile conditions and the need for an intense level of coordination of services among many agencies and providers in order to support them in the community. The Department is pursuing a mechanism to pay an interim rate to the contracting health plans and reconcile on a periodic basis to reimburse them for actual costs incurred to provide the necessary care to these clients.
2. MMCD is working on a project to permit individuals who are eligible for both Medicare and Medi-Cal (commonly referred to as dual eligible), to simultaneously enroll in both a Medicare health plan and an existing Medi-Cal managed care health plan in Two Plan and Geographic Managed Care model counties. Dual eligibles are automatically enrolled in County Organized Health System Plans (COHS). Currently, if a dual eligible is first enrolled in a Medicare health plan and attempts to enroll in a Medi-Cal managed care health plan, the State's enrollment contractor's system will prevent enrollment in the Medi-Cal managed care health plan. With completion of this project, dual enrollment will be allowed contingent on the Medicare and Medi-Cal managed care health plan being operated by the same managed care organization. This will permit managed care organizations to provide better coordination of care and benefits across product lines for those members with dual eligibility and enrollment. In

addition, several Medi-Cal managed care health plans that subcontract with HMOs that also operate a dual eligible MA/SNP, requested MMCD to allow members of the subcontracting HMO's MA/SNP to enroll in the primary Medi-Cal managed care health plan. MMCD has agreed to this change and is implementing the necessary systems changes to allow it.

The CDHS staff is working in collaboration with the Centers for Medicare and Medicaid Services (CMS), the California Association of Health Plans, and individual Medi-Cal managed care health plans that have or are working towards securing a Medicare line of business, to resolve issues related to data systems changes, capitation rates, marketing and beneficiary informing materials. Due to the complexities associated with this project, including modification of data transmission from CMS and system modifications for both the CDHS and the managed care enrollment contractor, the CDHS is targeting completion by July 2007.

The CDHS has convened a workgroup including representation from health plans, advocates for the Seniors and Persons with Disabilities (SPD) population and CMS to collaborate on implementation of this project. The workgroup met in September 2006, and held several meetings in December. The workgroup formed a subgroup to discuss marketing issues, address the differences in Medicare and Medi-Cal marketing requirements and enhance concurrent review of marketing material between the CDHS and CMS. This group met in November 2006 and again in January 2007.

3. The Department's default algorithm rewards Two-Plan Model and Geographic Managed Care health plans with a higher percentage of default enrollments based on superior performance on specific performance measures: five HEDIS performance measures and two traditional and safety net provider performance measures. The Department implemented Year Two of the default algorithm on December 1, 2006. CDHS has compared the first and second year measures to determine whether there are any significant results. Most measures remained at the same level as in the prior year. There were ten instances where a plan significantly improved relative to its prior year performance and two cases where performance declined over the same time period. The CDHS is reconvening the default advisory group in May 2007 to begin discussions for the third year of the algorithm.

The CDHS estimates that approximately 34,000 Medi-Cal managed care enrollees in Two-Plan and GMC counties will be assigned to higher performing health plans than the ones to which they would have been assigned.

4. The Department is one of six state Medicaid agencies participating on a two-year grant, the Purchasing Institute Technical Assistance (PITA) for

Managed Care for Persons with Disabilities. The PITA which is designed to help states improve health care delivery to the SSI-eligible populations through focused training and technical assistance will convene semi-annual face-to-face meetings and regular telephone conference calls with the states, the Center for Health Care Strategies (CHCS) staff and invited experts. The first year focused on development and testing of a performance measure determined by all six participating states, and the second year is focusing on interventions to improve care coordination.

The California four-member team has attended two face-to-face meetings with all participating states, most recently on February 27 and 28, 2007, in San Francisco.

MMCD has participated in bi-weekly conference calls with the other five states and CHCS to develop the performance measure. Each state used the Agency for Healthcare Research and Quality Preventive Quality Indicators for twelve selected ambulatory sensitive conditions that evidence suggested could have been avoided through better outpatient care and inferred a need for care coordination. MMCD is participating in monthly conference calls with other participating states and CHCS to discuss appropriate use of these measures.

MMCD is also participating in recently initiated bi-weekly conference calls for the care management component of the PITA project. As a first step, participants are developing a definition of care-management (and key domains) for managed care contracting that is useful to all six participating states. Develop a common care management definition that includes all key domains and can be used as a basis for RFPs and contracts as well as for comparing performance across plans or in state-run initiatives. Next steps under consideration are 1) Compile a common set of tools (e.g. health risk assessment, predictive models, care management algorithms, etc.) used in care management programs across the states; and 2) Structure a framework for identifying what care management interventions (or components of total interventions) work and supporting evidence.

5. In July 2006, the CDHS entered into an interagency agreement with the University of California, Berkeley (UCB), School of Public Health, Health Research for Action, to develop a Medi-Cal Managed Care guide to better inform seniors and persons with disabilities (SPDs) of the advantages of Medi-Cal managed care and increase awareness of the Medi-Cal Managed Care program. UCB is developing and focus testing a comprehensive Medi-Cal Managed Care guide for beneficiaries that explains these options with the goal of increasing voluntary enrollment of SPDs into Medi-Cal managed care. The project will span four fiscal years with work beginning in FY 2006/07 and will form the foundation of a larger statewide effort to outreach to the SPD population to increase their

awareness and encourage their enrollment into Medi-Cal managed care health plans.

The project included the formation of an advisory group to provide input for the content and dissemination of the guide. The advisory group is comprised of representatives of target communities; Medi-Cal Managed Care organizations, policy-making organizations, and advocacy groups for SPDs. CDHS and UCB convened the second meeting of the advisory group in January 2007, to solicit feedback on the first draft of the guidebook, specifically on content and design. UCB reported on the formative research they have been conducting, including 30 in person consumer interviews and approximately 70 key informant interviews. They will be conducting 18 consumer focus groups to gain in-depth information about consumer needs and to test the draft guide. Consumer interviews were conducted in English, Spanish, Cantonese and Mandarin. Interviews and focus groups will take place in Alameda, Sacramento and Riverside counties.

The CDHS is amending the Interagency Agreement to extend the service period through Fiscal Year 2009-10. This will allow for statewide implementation of the guide produced by the pilot effort as well as identification of other strategies to enhance outreach to this population.

6. Mercer Government Human Resources Consulting (Mercer) was engaged in May 2005, by the CDHS to review the Medi-Cal base data, and to recommend opportunities for improvement to the current capitation rate development process, and reimbursement structure. The Mercer report, released January 26, 2007, recommended that the CDHS adopt a plan-specific, experienced-based rate methodology, in which capitation payments to contracted health plans be matched to their relative risk. The report also identified some plan "Pay for Performance" opportunities.

The CDHS is currently in the process of quantifying the financial impact of the improved methodology for County Organized Health Plans and Two Plan Model Plans for incorporation into the May Revision. It is the intention of CDHS to implement the improved methodology in all rate years beginning July 1, 2007 or later with the exception of contracts that have negotiated rates with the California Medical Assistance Commission through FY 2007-08.

7. The 2007 Quality Conference for Medi-Cal Managed Care, "Partnering to Promote Quality," took place on March 19, 2007, at the Sacramento Convention Center, sponsored by CDHS in coordination with the State-contracted External Quality Review Organization, Delmarva Foundation for Medical Care, Inc. Keynote speakers, breakout sessions and a panel discussion focused on quality strategies such as incentives and rewards,

health IT data use, provider training, and member self-care. Keynote speakers included Dr. Mark Smith, CEO of the California Healthcare Foundation, who spoke on “Quality, Affordability and Transparency: A New Era for Medi-Cal,” and Dr. Howard Beckman, Medical Director of the Rochester Individual Practice Association, who spoke on “Getting to Value: Addressing Overuse with Practitioners as Partners.” The 170 attendees included staff from Medi-Cal managed care plans, State and Federal agencies and representatives from advocacy groups, health policy organizations and other stakeholders.

III. State Plan Amendments

MMCD is in the preliminary stage of setting timelines for submission of State Plan amendments based on the latest timetables for Medi-Cal managed care expansion. No firm dates have been set.

IV. Federal Waivers

The Department intends to submit modification requests to two existing COHS waivers to enable the implementation of expansion plans for San Luis Obispo and Marin counties. In addition, a modification to the California Children Services (CCS/Dental) waiver will also be submitted in order to allow CCS eligible children to be enrolled on a mandatory basis in the expanded GMC program that is to commence in Placer County in January 2008.

The Department submitted modification requests to the CMS for the Health Insuring Organizations (HIOs) on January 17, 2007 and the California Children’s Services/Dental waivers on March 26, 2007. The modifications will include fee-for-service (FFS) costs that were not available at the time of original filing. Additionally, the State used this opportunity to update enrollment and capitation cost projections.

Further, the Department submitted a renewal request for the Health Insuring Organizations of California (HIOs) waiver on March 26, 2007. This waiver covers the county organized health systems in Orange, Napa, Yolo, Solano, Monterey and Santa Cruz counties. The expected approval date of this waiver renewal package is June 30, 2007.

V. Key Activities on Medi-Cal Managed Care Expansion

Information to Health Plans and Expansion Counties

The CDHS continues to provide expansion updates to health plans on at least a quarterly basis through individual meetings with health plan CEOs and Medical Directors. Similar updates are also provided at the bi-monthly Medi-Cal Managed Care Advisory Group meetings.

Interactions with Expansion Counties

Eleven of the thirteen expansion counties and Fresno County (an existing managed care county that will be affected by the current expansion efforts) have endorsed a managed care model they believe is best suited to meet the county needs. Of the remaining two, Imperial County is close to a final decision, and El Dorado County's proposed model, a delegated risk contract with the county and a single Health Maintenance Organization, is on hold while the CDHS explores other options for this county. The table on page 11 provides the status of each expansion county. The CDHS has issued a revised timeline for implementation based on these decisions, also reflected in the table on page 11. The CDHS developed prospective capitation rates for Marin, Sonoma, Lake, Mendocino, Placer and San Luis Obispo counties. Once the rates are internally approved, the CDHS will provide them to the affected COHS plans for planning purposes and development of provider networks.

Recent developments are summarized as follows:

- On December 12, 2006, the Sonoma County Board of Supervisors approved a resolution to notify the CDHS of the County's intention to join Partnership Health Plan of California.
- El Dorado County has submitted a draft of a proposed model to implement Medi-Cal managed care as an alternative to the Geographic Managed Care (GMC) model proposed by the Department. It has proposed that a COHS be implemented through a delegated risk contract with the County and a single HMO. Staff is analyzing the proposal; however, the lack of federal legislative authority to expand the number of COHS effectively prevents this option.
- Imperial County completed its strategic planning process and a report of conclusions and recommendation was slated to be presented to the County Board of Supervisors in March, March 2007.
- While the San Benito County Board of Supervisors endorsed the CDHS proposal for the County to affiliate with the Central Coast Alliance for Health (CCAH) a COHS model health plan that operates in Monterey and Santa Cruz counties, the county has yet to secure the endorsement of managed care with local stakeholders and providers. Additionally, CCAH continues to experience financial problems and remains concerned about an aggressive expansion into San Benito County. These issues continue to delay expansion work in this county.
- The CDHS continues to hold monthly teleconferences with Fresno, Kings, and Madera County representatives. The three counties continue their work in developing a joint powers agreement (JPA) to form a tri-county regional health system infrastructure and governing authority and continue to seek

funding sources that will offset administrative and legal costs incurred in establishing the JPA infrastructure.

- Merced and Ventura county officials continue to seek federal legislation to implement new COHS plans. Representative Lois Capps (CA-23) introduced H.R. 665 to amend the Consolidated Omnibus Budget Reconciliation Act of 1985 and permit Merced and Ventura counties to create and operate health insuring organizations (County Organized Health Systems) and to increase the percent of all Medi-Cal beneficiaries that may be enrolled in such systems from 14 percent to 16 percent. It is expected that Senator Dianne Feinstein will introduce a companion bill in the Senate.

Expansion County Stakeholder Meetings

The CDHS staff continues to offer to meet with and provide technical assistance to counties and stakeholders in discussions related to expansion of managed care. In counties where final decisions and Board of Supervisors resolutions are received, the CDHS continues to be available to facilitate discussions between county officials, stakeholders, and health plans.

**Medi-Cal Managed Care Division (MMCD)
Update of Expansion Implementation Dates
and Managed Care Models**

County	Original Implementation Date	Revised Implementation Date	Managed Care Model
El Dorado	3/01/07	Pending further discussion with MMCD	Pending further discussion with MMCD
Imperial	3/01/07	Pending further discussion with MMCD	Pending further discussion with MMCD
Placer	3/01/07	1/01/08	GMC
Fresno	10/1/07	7/1/09	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	7/1/09	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	7/1/09	Tri-County Regional Two-Plan (with Fresno and Kings)
Merced	10/1/07	Pending COHS authority	New COHS
Lake	4/01/08	12/01/08	COHS Join Partnership Health Plan
Marin	4/01/08	12/01/07	COHS Join Partnership Health Plan
Mendocino	4/01/08	12/01/08	COHS Join Partnership Health Plan
San Benito	4/01/08	Pending further discussion with MMCD	COHS Join Central Coast Alliance for Health
San Luis Obispo	4/01/08	7/01/08	COHS Join Santa Barbara Regional Health Authority
Sonoma	4/01/08	7/01/08	COHS Join Partnership Health Plan
Ventura	4/01/08	Pending COHS authority	New COHS

GMC = Geographic Managed Care
COHS = County Organized Health System